

Property Book and Unit Supply Enhanced System

Requirements Followup

**8 September 2004
Audit Report: A-2004-0473-FFG**



U.S. Army Audit Agency





DEPARTMENT OF THE ARMY
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Assistant Secretary of the Army Financial Management and Comptroller
Project Manager, Logistics Information Systems

This is our report on the compliance of the Property Book and Unit Supply Enhanced System for tables of distribution and allowances activities with the Federal Financial Management Improvement Act of 1996. We performed this audit to validate the results of compliancy tests performed on the system to ensure the applicable system requirements were in place and operating within the system.

This audit was a followup on Audit Report: A-2004-0075-FFG, in which we reported that program managers had documented plans to include two requirements related to functionality needed at the tables of distribution and allowances activities in a future software change package. We began the audit based on command's assurance that the system was compliant.

We found that the Property Book and Unit Supply Enhanced System was compliant with the Federal Financial Management Improvement Act of 1996. This report specifically addresses two requirements pertaining to the identification of hazardous material items and the identification of government-furnished property within the system.

I appreciate the courtesies and cooperation extended to us during the audit.

FOR THE AUDITOR GENERAL:

A handwritten signature in black ink, reading "Anita F. Bales", is positioned above the printed name.

ANITA F. BALES
Program Director
Financial Operations

For more information about this audit, please call the Financial Operations Audits Division at (703) 681-9766. For extra copies of this report, please call (703) 681-9863.

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Was the Property Book and Unit Supply Enhanced System in substantial compliance with the Federal Financial Management Improvement Act?

Yes. The Property Book and Unit Supply Enhanced System contained the financial functional requirements as mandated by the Federal Financial Management Improvement Act of 1996. Program managers have included the two additional requirements needed for tables of distribution and allowances activities. As a result, the Property Book and Unit Supply Enhanced System substantially complied with the Federal Financial Improvement Act.

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INTRODUCTION

WHAT WE AUDITED

During prior audits we reviewed the requirements contained in version 4.1 of A Guide to Federal Requirements for Financial Management Systems, also known as the Blue Book, as they apply to supply property for modified tables of organization activities. We also validated the requirements that were applicable to the Property Book and Unit Supply Enhanced System as fielded to modified tables of organization and tables of distribution and allowances activities. This audit was a followup on Audit Report: A-2004-0075-FFG, in which we reported that program managers had documented plans to include the remaining two requirements pertaining to tables of distribution and allowances activities in a future software change package.

RESULTS IN BRIEF

We reviewed test scenarios and observed the software acceptance testing of the Property Book and Unit Supply Enhanced System for the two remaining requirements. We determined that project managers and software system developers successfully included the functionality for the two remaining applicable financial functional requirements as outlined in the Blue Book and Joint Financial Management Improvement Program documents. These requirements added functionality that deals with the system's ability to identify the fact that an environmental or hazardous substance is located on or contained within a property item and functionality to identify property classified as government-furnished property.

BACKGROUND

Property Book and Unit Supply Enhanced

This report covers the Property Book and Unit Supply Enhanced System that will replace two legacy systems—Standard Property Book System-Redesign and Unit Level Logistics System.

The Project Manager, Logistics Information Systems manages the Property Book and Unit Supply Enhanced System with oversight by the Program Executive Officer, Enterprise Information Systems at Fort Lee, Virginia.

Federal Financial Management Improvement Act

This law requires each Federal agency to implement and maintain financial management systems that comply with applicable accounting standards and systems requirements. The requirements for financial and accounting systems are documented in detail in the Blue Book. The Blue Book represents an extensive compilation of requirements applicable to DOD's financial management systems to include the requirements set forth by the Joint Financial Management Improvement Program, the Certified Financial Officers Act, and the Office of Management and Budget. The Systems Integration Directorate, Defense Finance Accounting Service, prepares and updates the Blue Book as needed.

The Joint Financial Management Improvement Program develops mandatory and value-added systems requirements. The program works to ensure that financial management systems packages acquired by Federal agencies can meet published core financial systems requirements. The program's objectives are to develop systems requirements, communicate and explain Federal and agency needs, provide agencies and vendors with information to improve financial systems, and ensure that products meet relevant systems requirements.

OBJECTIVE AND CONCLUSION

REQUIREMENTS FOLLOWUP

OBJECTIVE

Was the Property Book and Unit Supply Enhanced System in substantial compliance with the Federal Financial Management Improvement Act?

CONCLUSION

Yes. The Property Book and Unit Supply Enhanced System contained the financial functional requirements as mandated by the Federal Financial Management Improvement Act of 1996. Program managers included the two remaining requirements needed for tables of distribution and allowances activities. As a result, the Property Book and Unit Supply Enhanced System substantially complied with the Federal Financial Improvement Act.

BACKGROUND

In June 2001, Army Audit Agency issued Audit Report: AA 01-356 and concluded that there were 75 financial functional requirements applicable to the Property Book and Unit Supply Enhanced System as it pertained to the modified tables of organization and equipment environment. The requirements for the system were extracted from the property, plant, and equipment section of the Joint Financial Management Improvement Program and the Blue Book.

In May 2002, we evaluated the requirements testing and issued Memorandum Report: A-2002-0352-FFG. We found that property book officers passed 70 of the 75 financial functional requirements. Of the five remaining requirements, one was determined to be not applicable and four were not tested. Additionally, we found that testers did not fully document the results of test scripts, rather they simply stated whether a financial functional requirement passed or not. We suggested that testers gather and retain sufficient evidence to illustrate that the system functioned properly during testing. We also requested further testing by requiring project managers and testing contractors to validate the four

previously excluded requirements. The project manager subsequently provided additional testing results and we issued Memorandum Report: A-2002-0485-FFG, as a followup, concluding that the four previously excluded requirements were tested and were operating.

In March 2003, we issued formal Audit Report: A-2003-0140-FFG concluding that the 74 applicable financial functional requirements were in place and operating in the Property Book and Unit Supply Enhanced System as it pertained to the modified table of organization and equipment environment. Based on our validation of the program manager's statement in this report, the Army began to deploy the system to modified tables of equipment activities. This moved the system from the development stage of the life cycle to the maintenance stage. Developers did not add functionality for tables of distribution activities until this stage, which required further validation of requirements.

In December 2003, we issued formal Audit Report: A-2004-0075-FFG concluding that five of the seven additional applicable requirements for tables of distribution and allowances activities were included in software change package 03. However, the remaining requirements to capture the fact that an environmental or hazardous substance is located on or contained within a property item and to identify government-furnished property were not included in the system functionality. These two requirements were preventing the system from being fully compliant with the Federal Financial Management Improvement Act of 1996.

DISCUSSION

In this section we discuss:

Test Results

We reviewed the test scenarios for the two remaining requirements prior to their validation in the software acceptance test to evaluate whether the property system could capture the requisite data. This latest test assessed the system's ability to identify environmental or hazardous material items and government-furnished property within the system.

Environmental or Hazardous Substance Requirement

The requirement to capture that an environmental or hazardous substance is located on or contained within a property item was included in the system functionality during observation of the testing for software change package 04. Hazardous items or substances are identified by the code 0 (zero) on the controlled inventory item code tables and appear on the sensitive items inventory listing in the system. However, the system doesn't automatically pick up the code from the Federal logistics data catalog. The property book officer must look up the code in the Federal logistics data catalog and enter the code into the system in order for the system to identify the item as an environmental or hazardous substance.

While the Property Book and Unit Supply Enhanced System meets the intent of the requirement, we believe the accuracy of recording and reporting environmental or hazardous material information can be improved by programming the system to automatically pick up the controlled inventory item code from the Federal logistics data catalog. This will eliminate the manual intervention by the property book officer and result in more accurate financial reporting for environmental and hazardous substances.

Government-Furnished Property Requirement

Government-furnished property is recorded on the contractor's property book when it is issued inventory items. Property book officers assign a component code of 'C' to denote a contractor with government-furnished property. Items recorded on the derivative unit's property book are reported as government furnished property based on the unit identification code assigned to the property.

While the Property Book and Unit Supply Enhanced System meets the intent of the requirement for government-furnished property, searches by serial number do not indicate if the item is government furnished property within the item record. Adding the ability to discern this information from the item record would provide more efficiency in report compilation, as queries by unit identification code would not be necessary.

We discussed the addition of the environmental or hazardous material code to the Federal logistics data catalog and the addition of the unit identification code to the item record with the developer and program manager. They agreed to the additions. These additions will enhance the system's accuracy and reporting capabilities by reducing manual operations. Since these two additions to system processing don't affect

the financial functionality of the system or its ability to meet the requirements, we won't make a recommendation in this report.

The two requirements and our conclusions are listed in Annex B.

ANNEXES

AUDIT SCOPE AND METHODOLOGY

We performed the audit:

- From April through July 2004.
- At Fort Hood, Texas.
- In accordance with generally accepted government auditing standards.

This review of the Property Book and Unit Supply Enhanced System used the same scenarios previously tested in Audit Reports:

A-2002-0352-FFG, A-2002-0485-FFG, A-2003-0140-FFG, and A-2004-0075-FFG. It also used one newly developed scenario. However, this review only included scenarios within software change package 04.

The audit covered transactions representative of operations current at the time of the audit. Current property book officers performed the software acceptance test, including the review of the financial functional requirements. We compared the actual test results to anticipated results to ensure all necessary functionality was operating as designed.

We observed the movement of data through the system to see if the system processed the data correctly in accordance with accounting policies. We didn't verify the accuracy and reliability the data used to demonstrate the functionality of the system because it wouldn't affect our conclusions on how the system processed the data.

This review of the Property Book and Unit Supply Enhanced System did not cover system controls such as entity-wide security, access and application controls, application development and change control, system software, segregation of duties, and continuity of service. However, Information Systems Command (INSCOM) executed scenarios associated with these system controls. We reviewed the results of these tests and determined that the system met the applicable security requirements. Additional audit work will need to be conducted following the Federal Information System Controls Audit Manual (FISCAM) to ensure that these system controls are adequate and financial data reported from this critical feeder system is reliable prior to the auditors giving an unqualified opinion on the financial statements.

Requirements-System Upgrade

	Reference	Description	AAA Conclusion
1	JFMIP pg. 12	The system must be able to capture the fact that an environmental or hazardous substance is located on or contained within a property item in accordance with 41 CFR 101-42.202.	PBUSE uses the Controlled Inventory Item Code (CIIC) to denote hazardous items. The code must be assigned to items as they are entered into PBUSE. Items are listed on the Sensitive Item Inventory Listing.
2	BB 03.02.19	The property system must maintain the book value of GFP shipped or furnished to contractors as well as GFP reported by contractor as used up, returned as damaged, destroyed, sold, purchased, or retained via transfer of title.	PBUSE maintains the book value of all property. Contractors are assigned derivative UICs with component code = C to denote contractor. All property on these derivative UIC property books is GFP. This requirement passes, but an indicator for each property item denoting it is GFP should be added as a cross walk.

AUDIT TEAM
(Project Code: A-2004-FFG-0528.000)

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